

**PROPERTY MANAGEMENT CASE PROBLEM**

An apartment building has 5 units and is to be completed for your client at a cost of \$125.00 per square foot of the gross living areas of the apartments. Each apartment has 800 square feet of gross leasable area. The net cost of the site is \$100,000.

Financing takes the form of an 50% loan-to-value mortgage with monthly payments for 30 years at 6% interest (the mortgage loan constant, K, is .08640).

From your market analysis you are able to project vacancy and collection loss at four percent of potential gross income (PGI) and a total expense amount as 38 percent of effective gross income (EGI).

If the Capitalization Rate for this project is 6%, determine all of the following items. Round computations to nearest whole dollar value.

- 1. Total cost of building and site ..... \$ \_\_\_\_\_ (1)
- 2. Amount of Loan ..... \$ \_\_\_\_\_ (1/2)
- 3. Amount of Equity ..... \$ \_\_\_\_\_ (1/2)
- 4. Rent per unit per month ..... \$ \_\_\_\_\_ (1)
- 5. Potential Gross Income (PGI) ..... \$ \_\_\_\_\_ (1)
- 6. Vacancy Loss ..... \$ \_\_\_\_\_ (1/2)
- 7. Effective Gross Income (EGI) ..... \$ \_\_\_\_\_ (1)
- 8. Operating Expenses ..... \$ \_\_\_\_\_ (1/2)
- 9. Net Operating Income (NOI) ..... \$ \_\_\_\_\_ (1)
- 10. Annual Debt Service (DS) ..... \$ \_\_\_\_\_ (1)
- 11. Cash Flow ..... \$ \_\_\_\_\_ (1)
- 12. Cash-on-Equity Rate of Return (round to 2 decimal plcs . \_\_\_\_\_ % (1)
  
- ..... TOTAL POINTS (10)